

News Release

Senator Pete V. Domenici

FOR IMMEDIATE RELEASE

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DOMENICI VOTES TO REPEAL FEDERAL DEATH TAXES

*"The estate tax sends a bad message to savers, to wit:
that it is OK to spend your money on wine, women and song,
but don't try to save it for your kids. The moral absurdity
of the tax is surpassed only by its economic irrationality."
-- Dr. Milton Friedman, Nobel Prize-winning economist*

WASHINGTON -- U.S. Senator Pete Domenici today voted to repeal the federal inheritance tax, a levy viewed by many as a confiscatory tax that hinders the ability of small business owners to pass on their livelihoods to their heirs.

The Senate today approved H.R.8, the Death Tax Elimination Act of 2000, which would repeal the estate, gift, and generation-skipping taxes (the so-called death taxes), over a 10-year period. The bill passed on a 59-39 bipartisan vote.

"This necessary repeal would ensure that death will no longer be considered a taxable event," Domenici said. "This repeal effort is good and fair tax policy, moving us toward tax simplification, and that is very commendable."

"The fact is that the death tax doesn't raise much revenue. It is viewed as the most confiscatory tax with its rates reaching 55 percent, and if coupled with the generation skipping tax the practical effect of the tax is that it can grab as much as 85 cents on the dollar," he said. "It hits small businesses and family farms at a time when they are least capable of managing the financial burden, when the business or farm has lost a key person."

According to the Small Business Administration's Office of Advocacy, an estimated seven out of 10 family-owned businesses fail to survive from one generation to the next. While a variety of factors are at play in this failure, federal death taxes are cited by family business owners as a major obstacle blocking a successful transition.

The Joint Committee on Taxation estimates H.R. 8 would reduce the federal tax intake by \$5 billion in 2002 and by \$28 billion over the next five years.

The House of Representatives adopted H.R. 8 in June on a 279-136 vote, more than the two-thirds necessary to override the promised presidential veto. The Senate's 59-39 tally, however, is short of the 67 vote majority needed to override a veto.

Specifically, H.R.8 provides the following:

- **2001:** Eliminates the 5 percent "surcharge" levied against estates to capture the tax benefit of graduated rates and eliminates the top rate of 55 percent;
- **2002:** Reduces the top estate-tax rate to 50 percent;
- **2003-2006:** Reduces all estate tax rates -- from 18 percent to 50 percent -- by one percentage point per year. Under this provision, the top estate-tax rate in 2006 would be 46 percent;
- **2007:** Reduces all estate tax rates by 1.5 percent. The top estate-tax rate in 2007 would be 44.5 percent; and
- **2008-2009:** Reduces all estate tax rates by 2 percentage points. Top rate would be 42.5 percent.